

# Benchmarking Insights on Developing a World-Class Technology-enabled Finance Organization

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March 27, 2002



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# Today's discussion

- A decade of change and progress
- What does a top-performer look like?
- Does driving greater value increase finance costs?



# Finance has endured a decade of change with a variety of best practice techniques

1991      1992      1994      1996      1998      2000      2001

**Shared Services**

Consolidation   Reengineering   Standardization

**ERP**

Implementation   OLAP   Data Warehouse

**Outsourcing**

Traditional      BPO      ASP

**Web-enabled**

ESS - Networking



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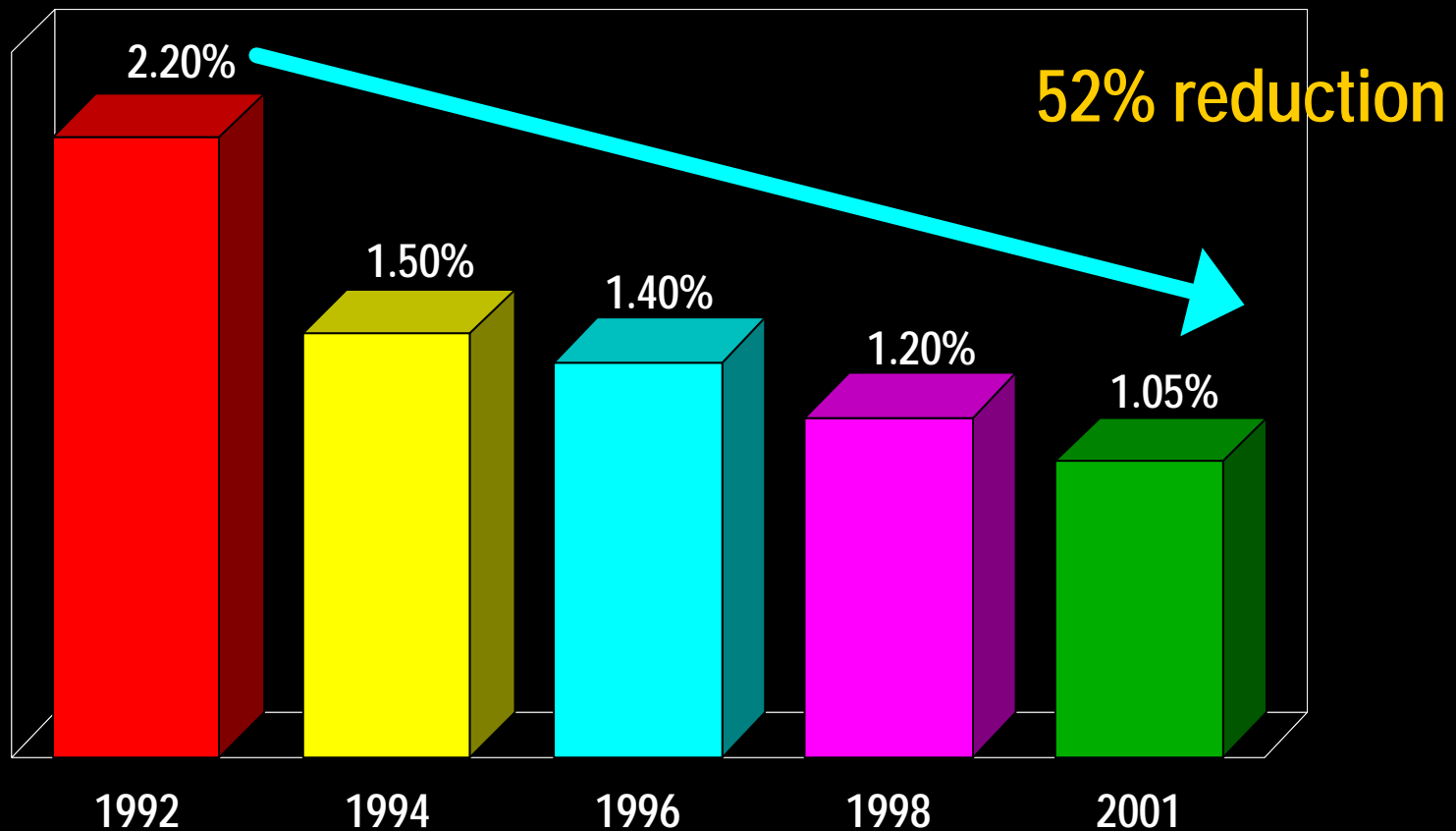
# During this time, finance has been faced with two broad challenges

- Become more **efficient** and lower cost in delivering critical services
- Become more **effective**; a true business partner adding value to the firm



# The last 10 years have seen significant cost reduction

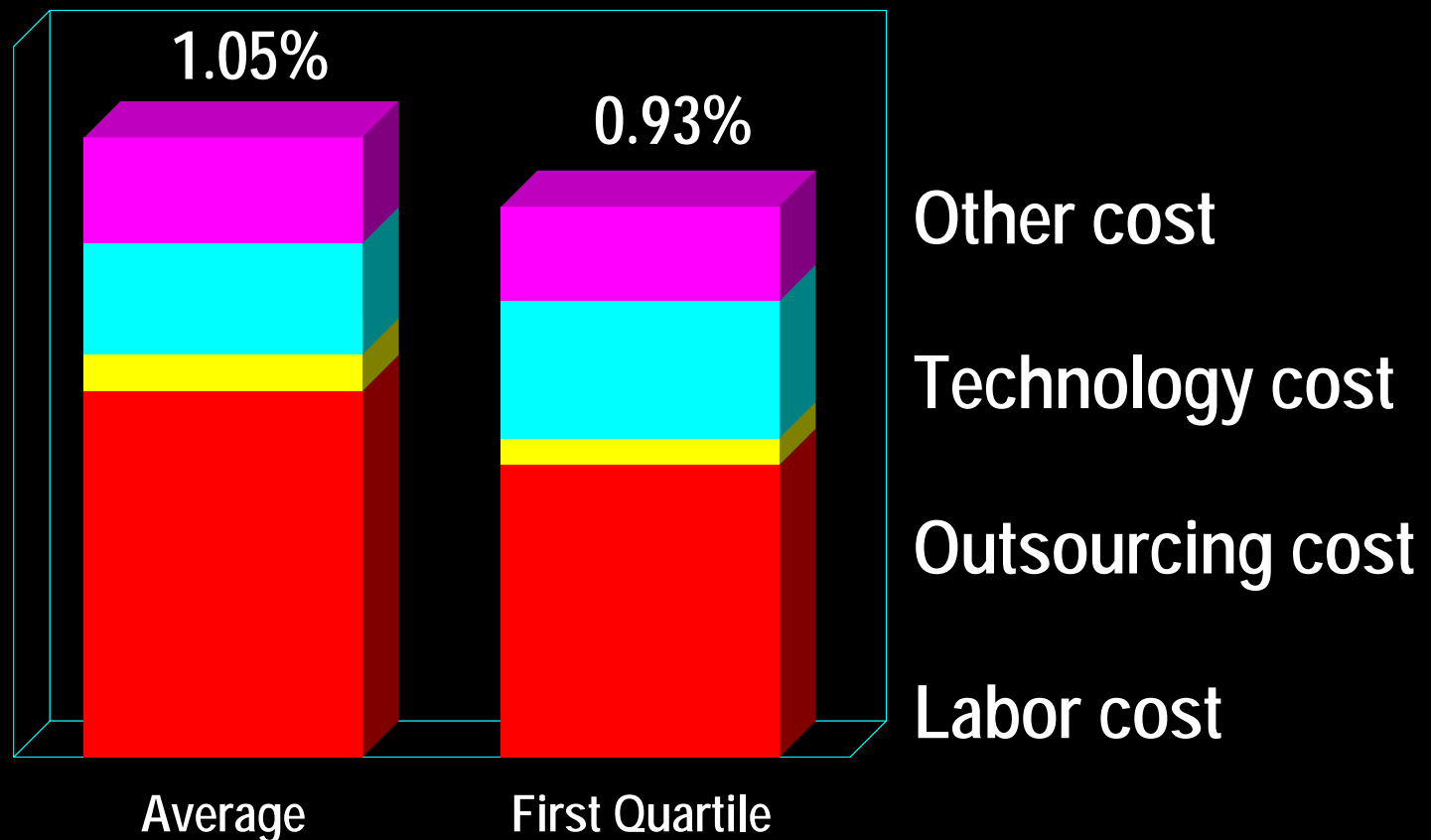
Average finance cost as a percent of revenue



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# First quartile company costs are now just 11% lower than the average

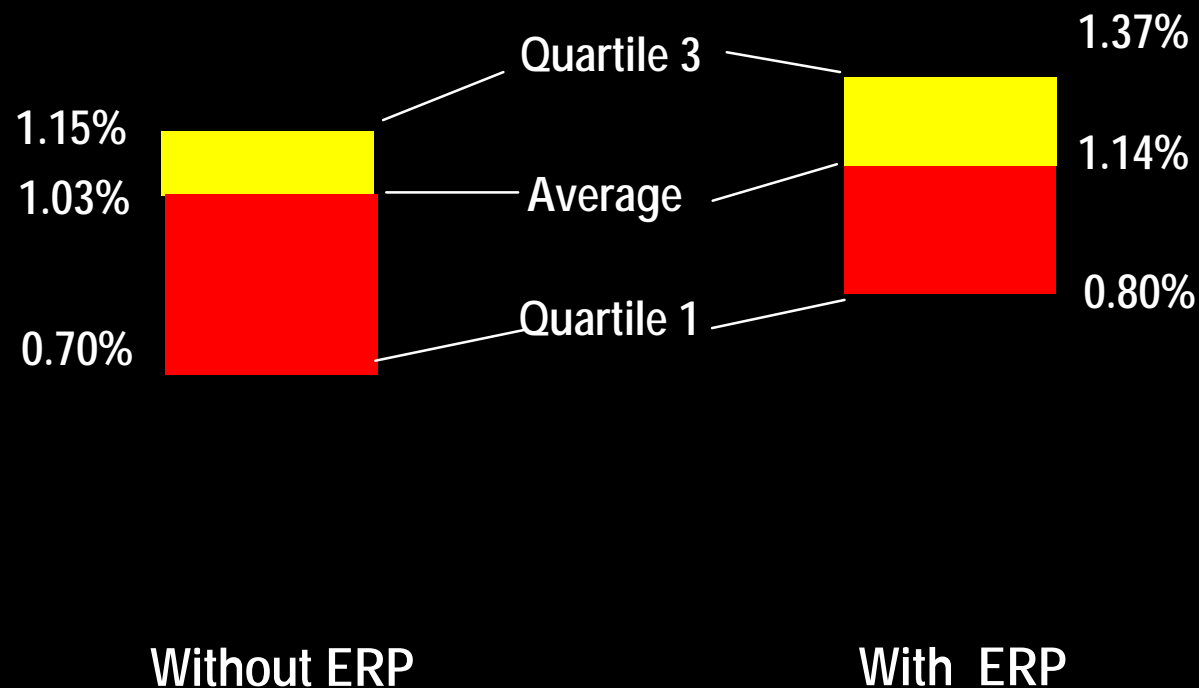
2001 - Finance cost as a percent of revenue



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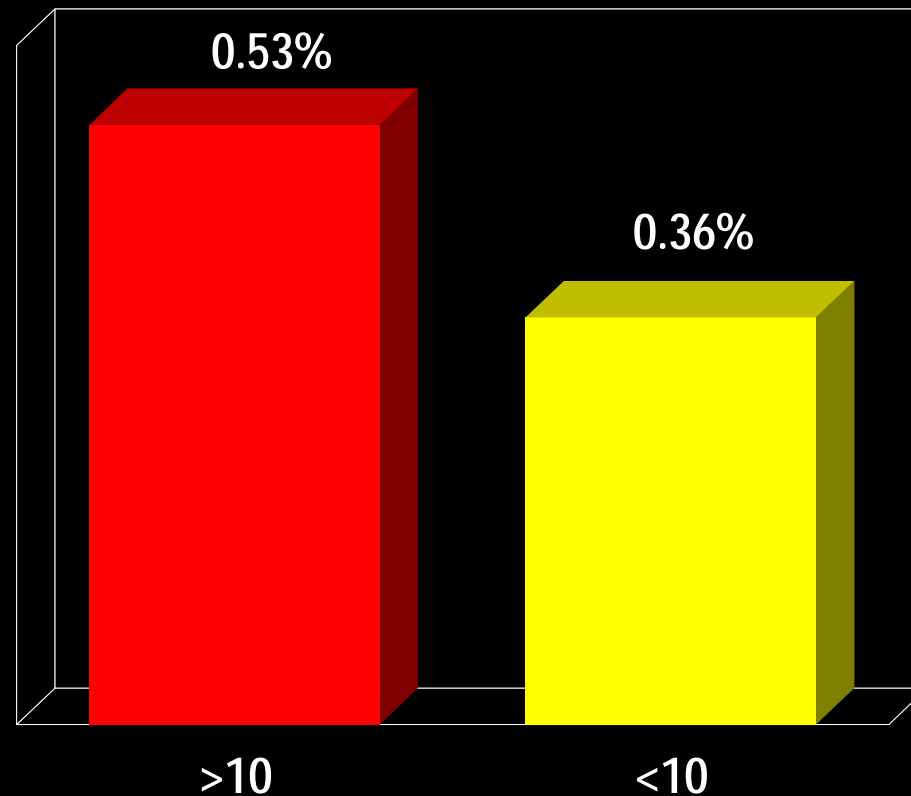
# Few have yet to realize tangible returns on their ERP investments

2001- Finance cost as a percent of revenue



# The use of standards is a proven technique to drive down finance costs

2001-Transaction processing cost and application complexity



Total applications per billion in revenue

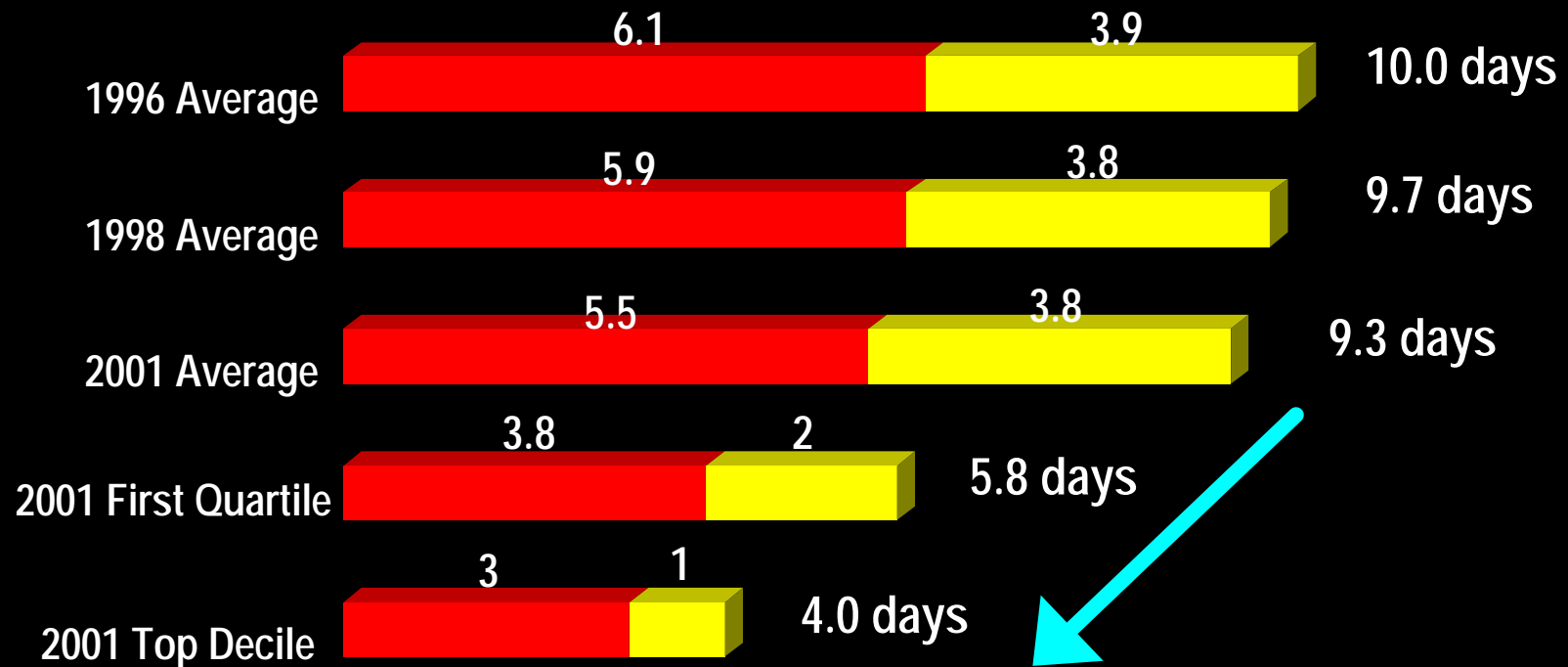


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# Top-performing companies use data warehousing to cut closing cycles in half

Number of business days to close and report results



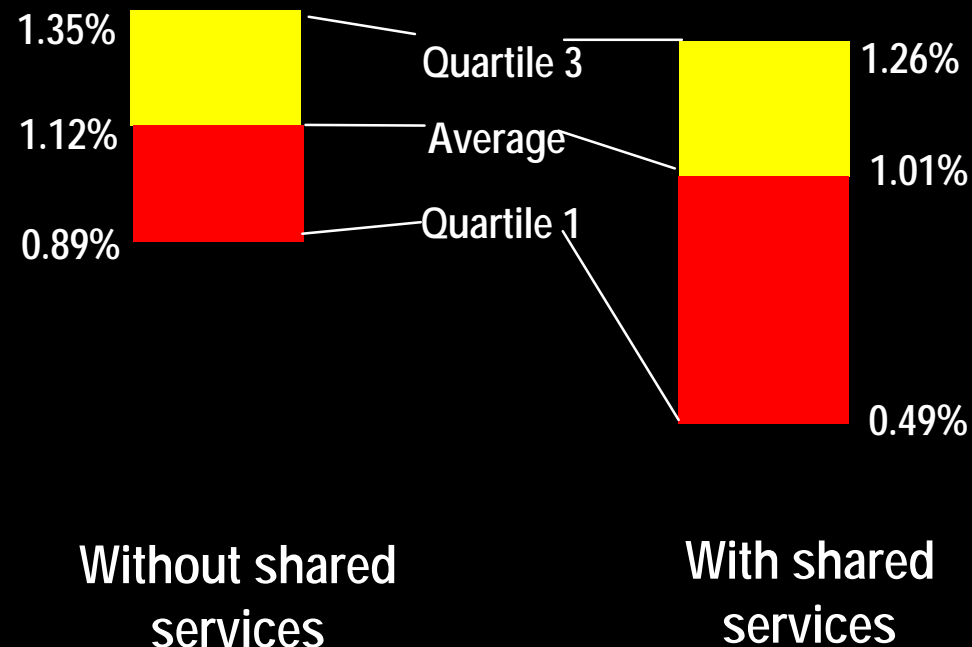
■ Close Books ■ Monthly Reports



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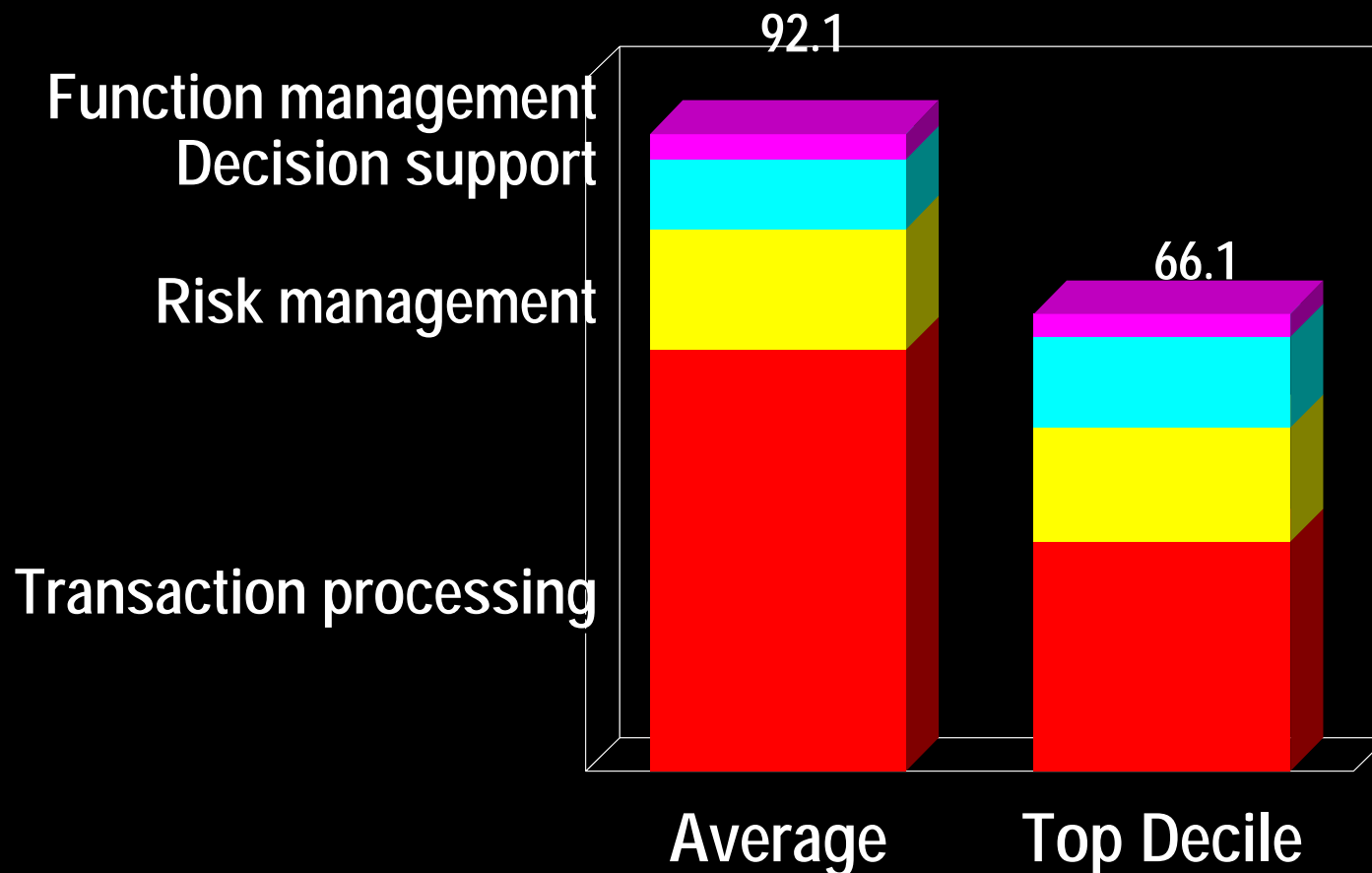
# Top-performing companies with shared services spend 45 percent less

2001 - Finance cost as a percent of revenue



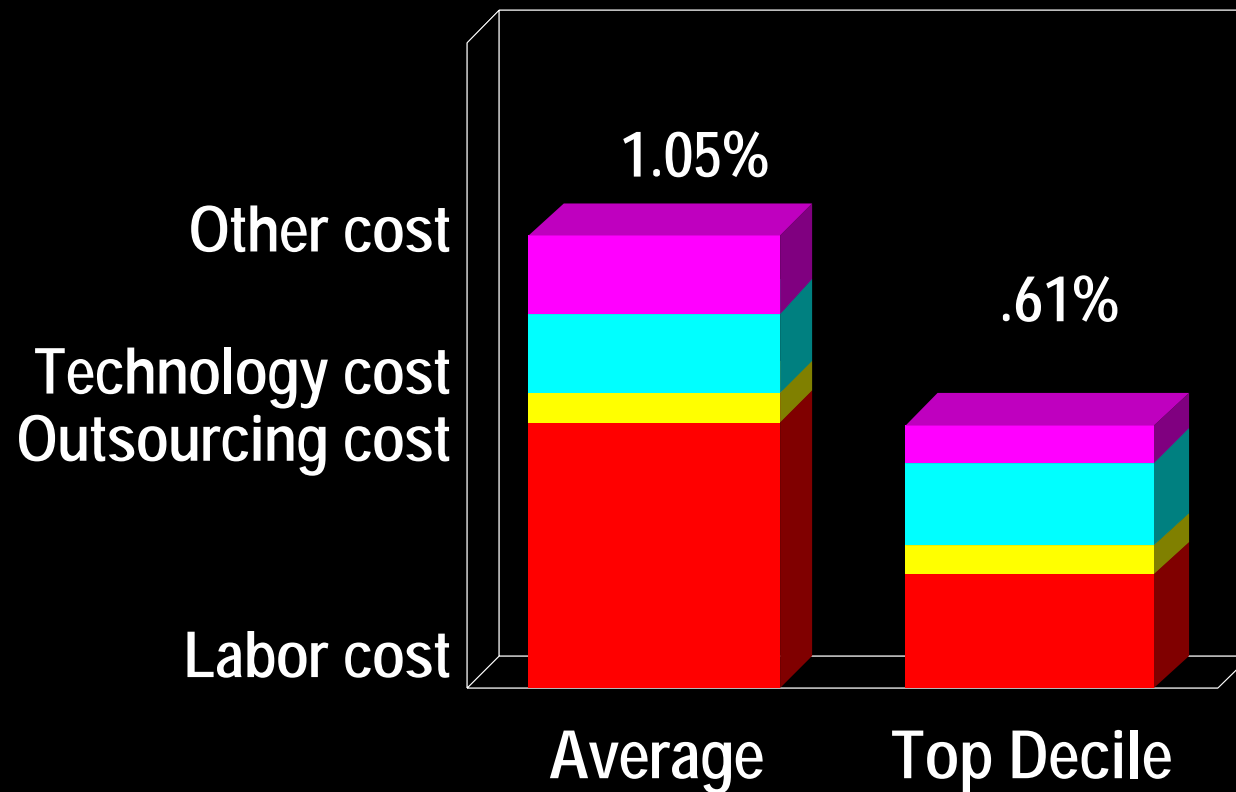
# Top finance organizations have shifted a major focus away from transactional areas

2001 - FTEs per billion of revenue



# They have also achieved a greater technology-labor swap

2001 - Finance cost as a percent of revenue



# The top-performing finance organizations have largely met the efficiency goal

- Total finance cost as a percentage of revenue has declined by 42%
- Top organizations seem to be pushing at the theoretical limits of transaction processing costs
- The best organizations have mastered the key to getting value out of ERP





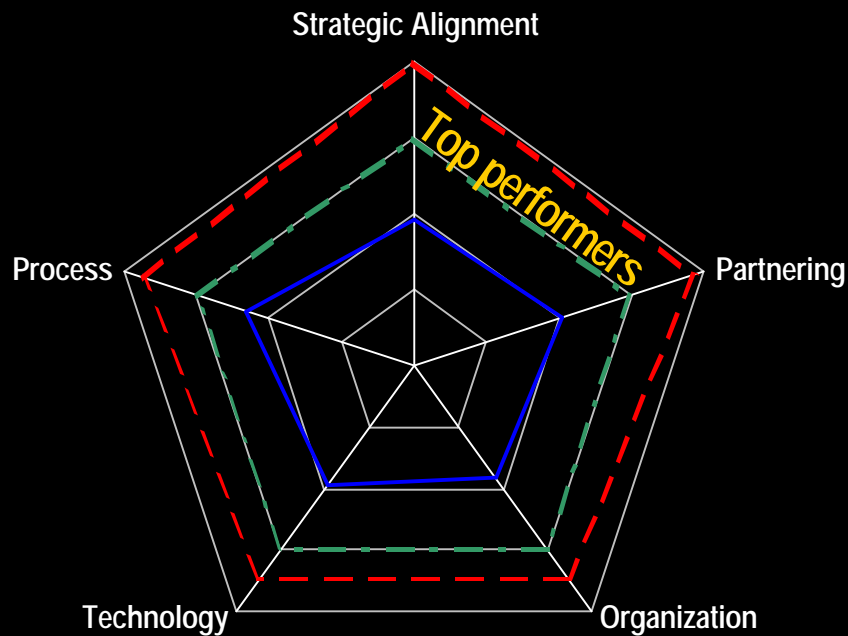
**What does a  
top-performer  
look like?**



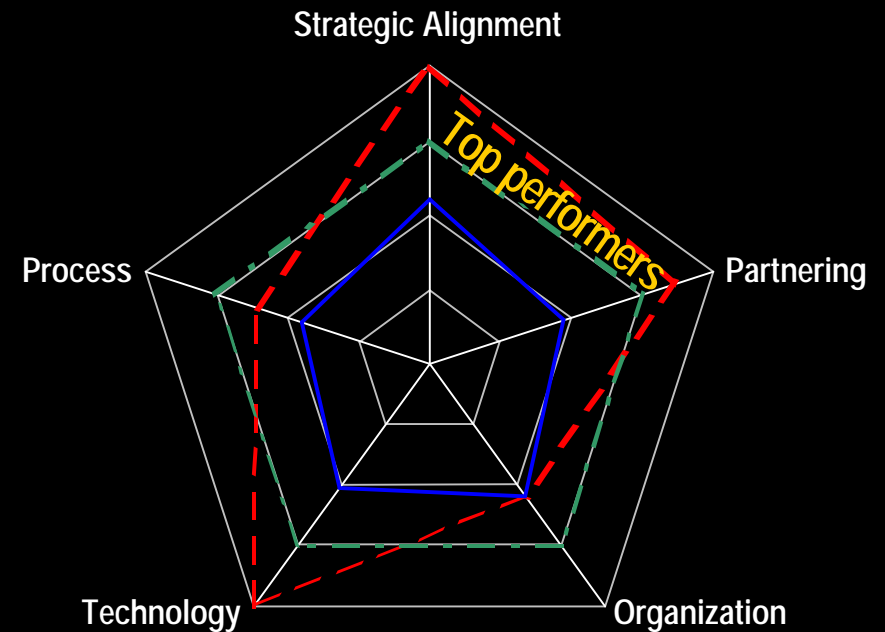
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# Measures performance comprehensively

## Efficiency



## Value



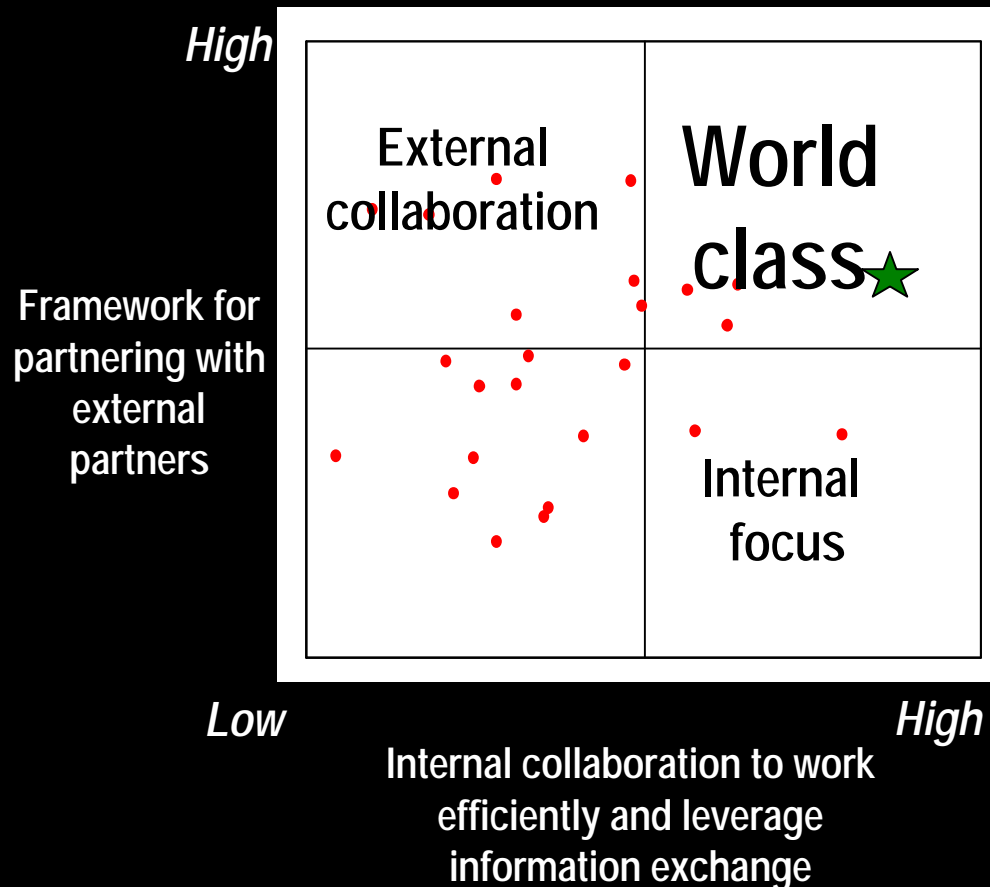
— Top Performer — Average — First Quartile



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# Partnering scorecard

## Hackett Value Grid



## Key drivers

### VALUE

- Capability of external partners to gain access to internal applications
- Collaboration with suppliers/customers
- **Trading partner networks established**
- Preferred T&E supplier agreements

### EFFICIENCY

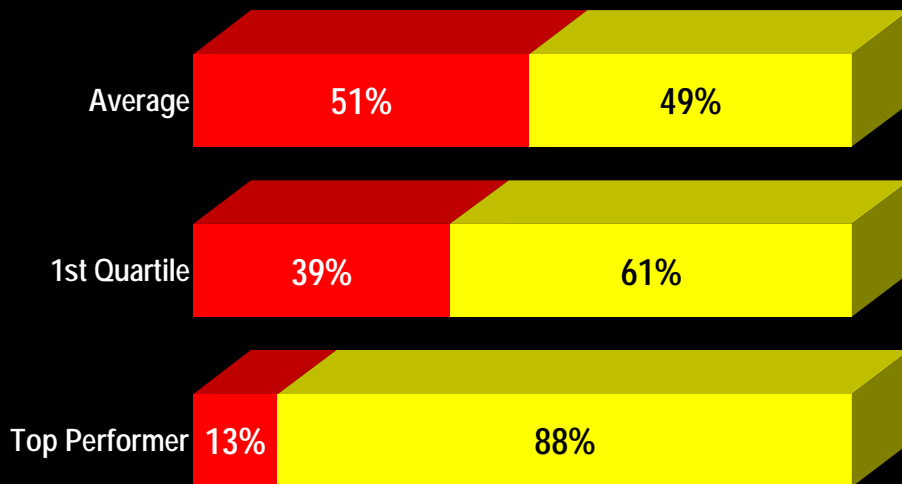
- Viewed as partner in decision-making
- Online application usage - internal
- **Collaboration on planning process**
- **Percent of time analyzing vs. collecting**
- Knowledgeable in operations





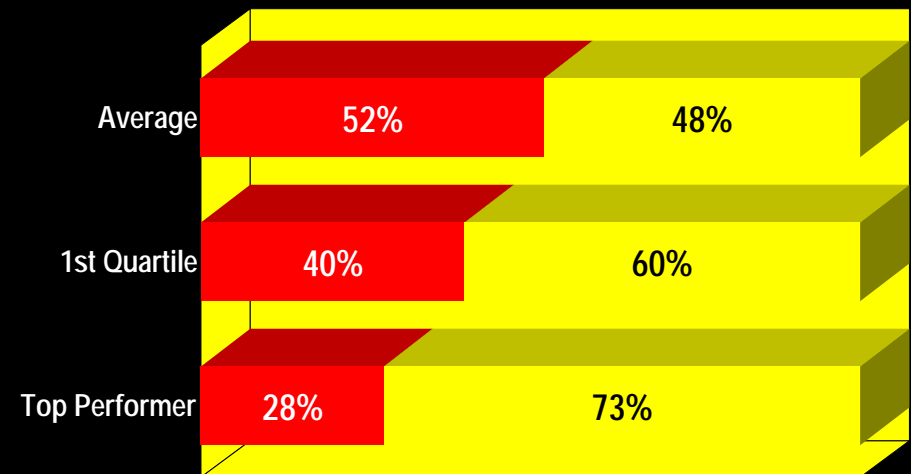
# Decision support focuses heavily on analysis

Allocation of analysts' time for standard reports



■ Collecting / compiling data  
■ Analyzing data

Allocation of analysts' time for ad hoc requests



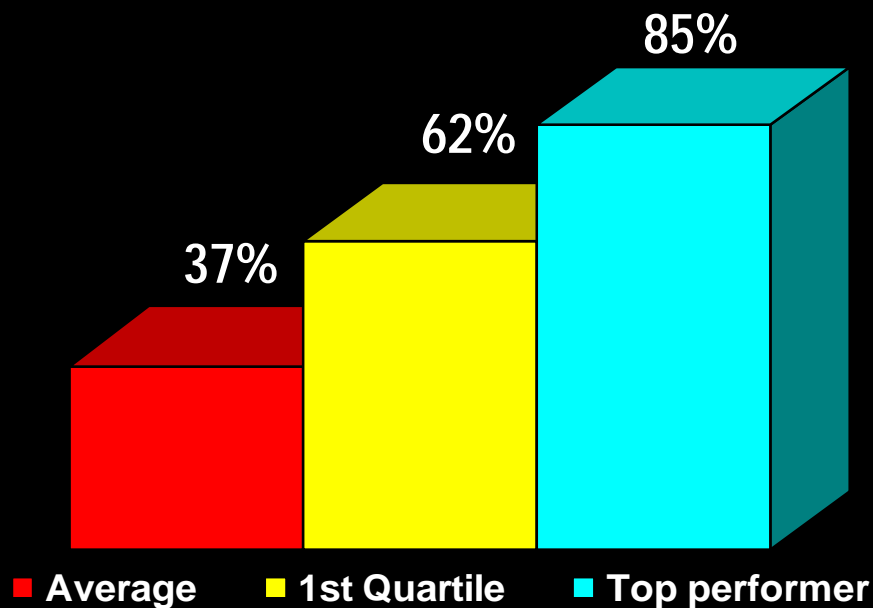
■ Collecting / compiling data  
■ Analyzing data



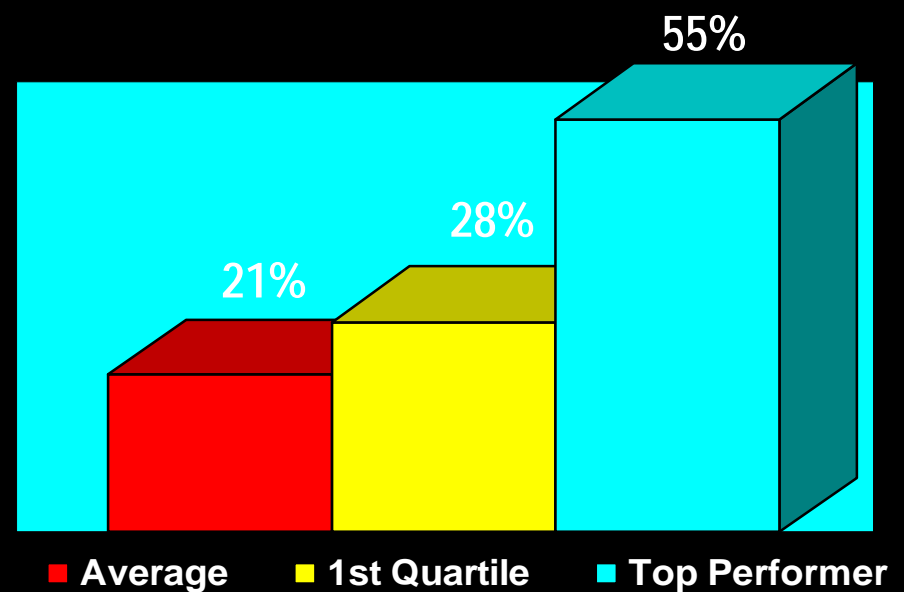
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# Electronic trading partner networks must be leveraged further to enhance relationships

Percent of electronic cash remittances  
(EFT and direct-debit)

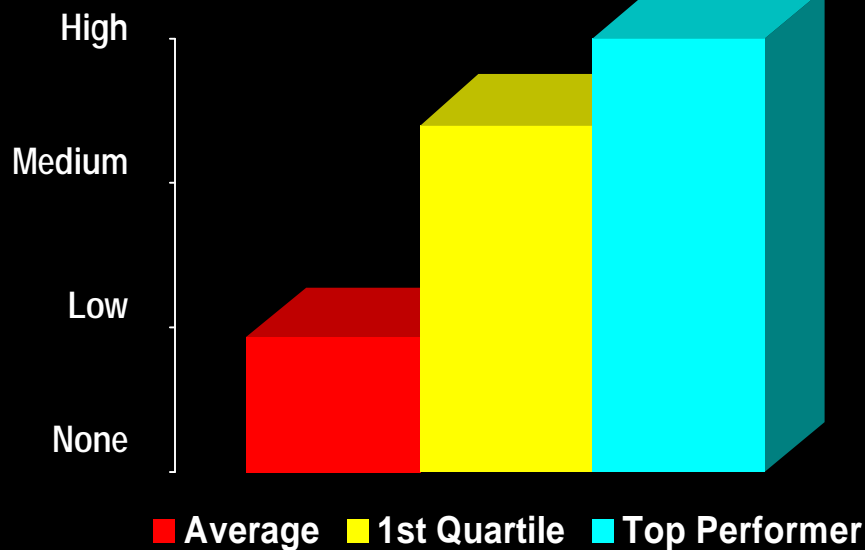


Percent of customer invoices sent electronically

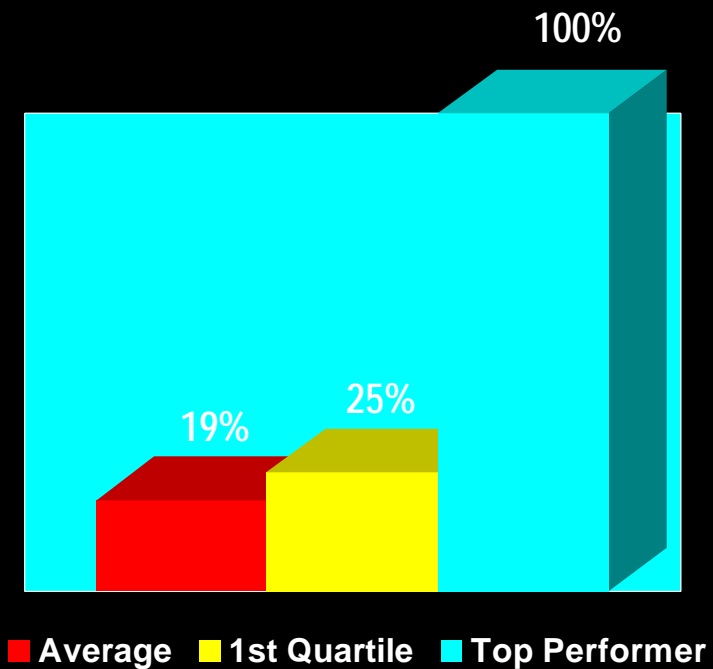


# Self-service capabilities must support external partners/customers

Managers using online BPR reporting

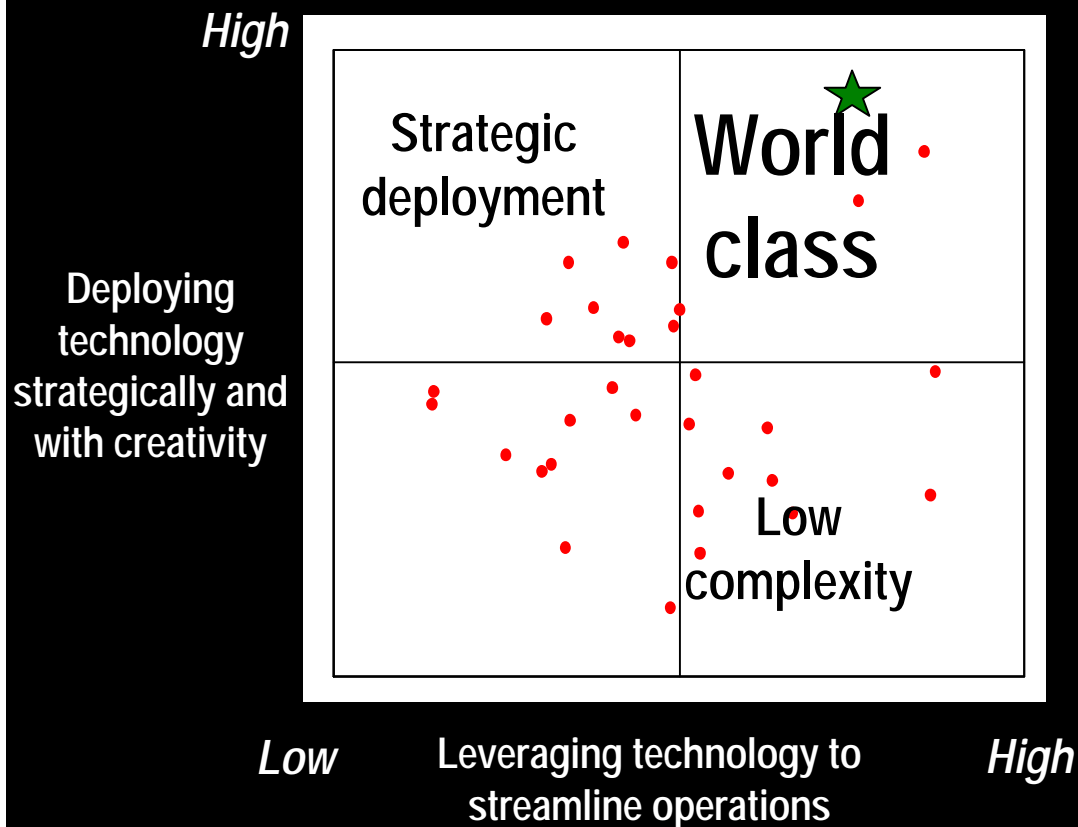


Operation managers using online budgeting



# Technology scorecard

## Hackett Value Grid



## Key drivers

### VALUE

- Use of available functionality
- Information on demand
- Access to Web applications
- Mining of information

### EFFICIENCY

- Application complexity
- Integration
- Data standardization
- Reliance on PC spreadsheets

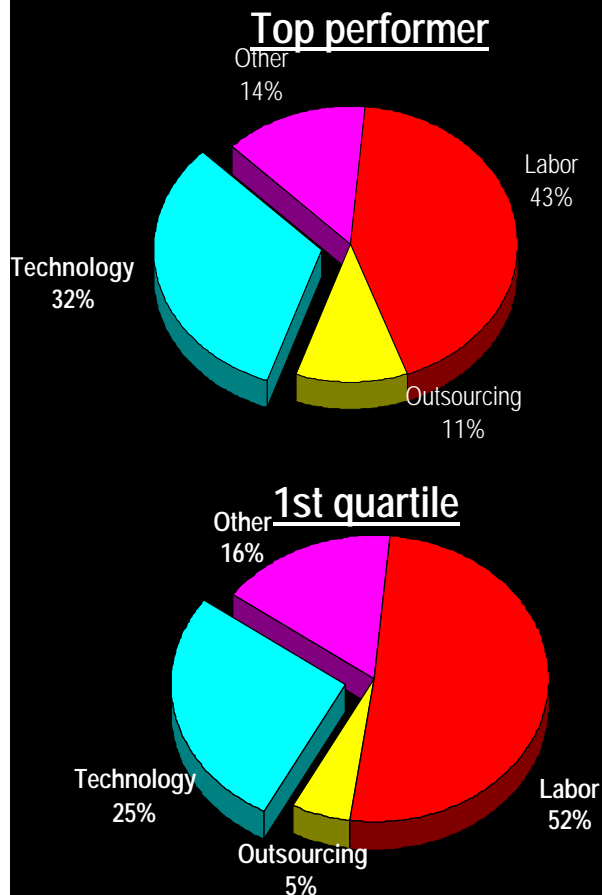


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# The technology-labor swap requires low technology complexity

Technology cost as a % of total finance cost

Finance applications per Top Performer's revenue



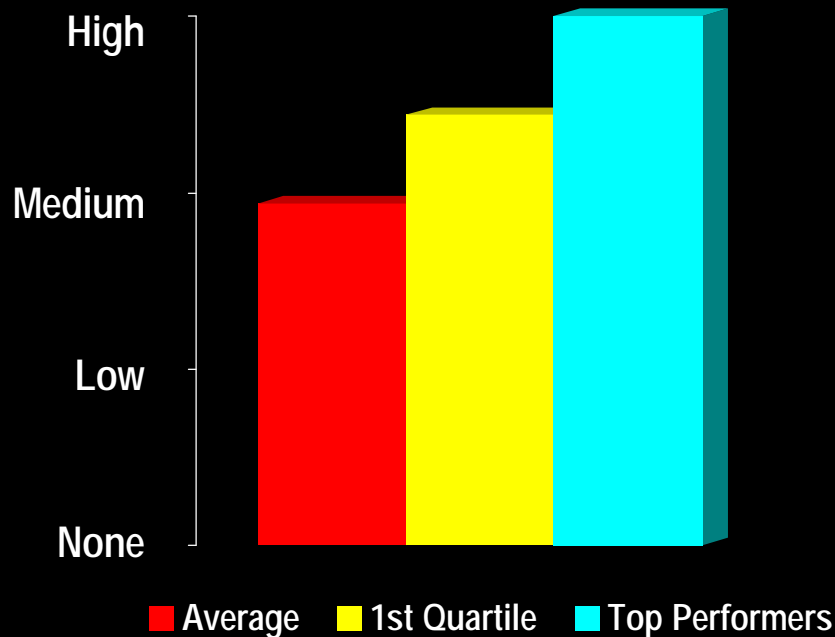
General accounting
Accounts payable
Accounts receivable
Travel & expense
Cost accounting
Freight payments
Credit/collections
Customer billing
Budgeting
Business performance reporting
Total Applications

Top Performer	Average	1st Quartile
2	48	5
2	37	4
3	31	6
4	27	6
3	42	5
2	19	4
7	46	10
3	32	6
4	58	6
5	60	8
35	400	60

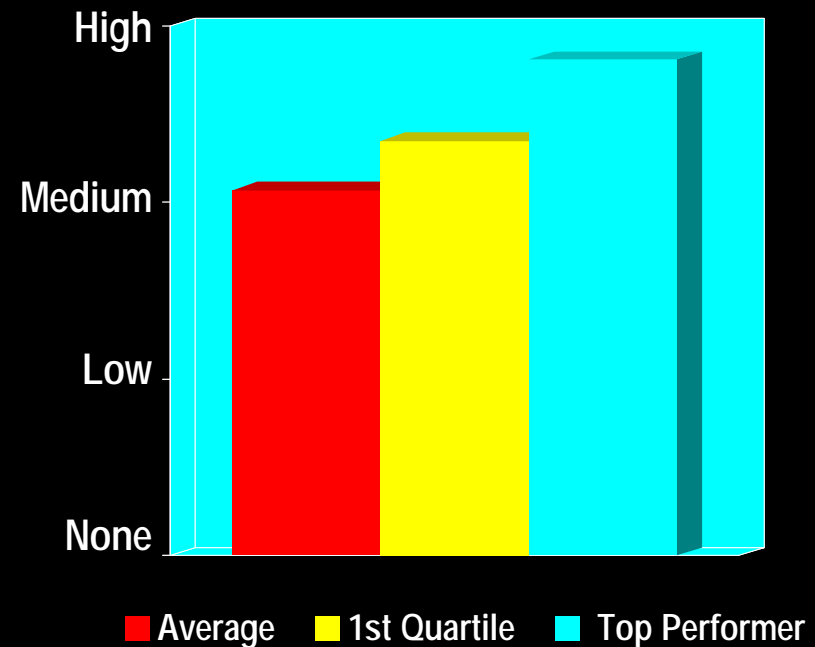


# Integration and leveraging functionality of applications are critical

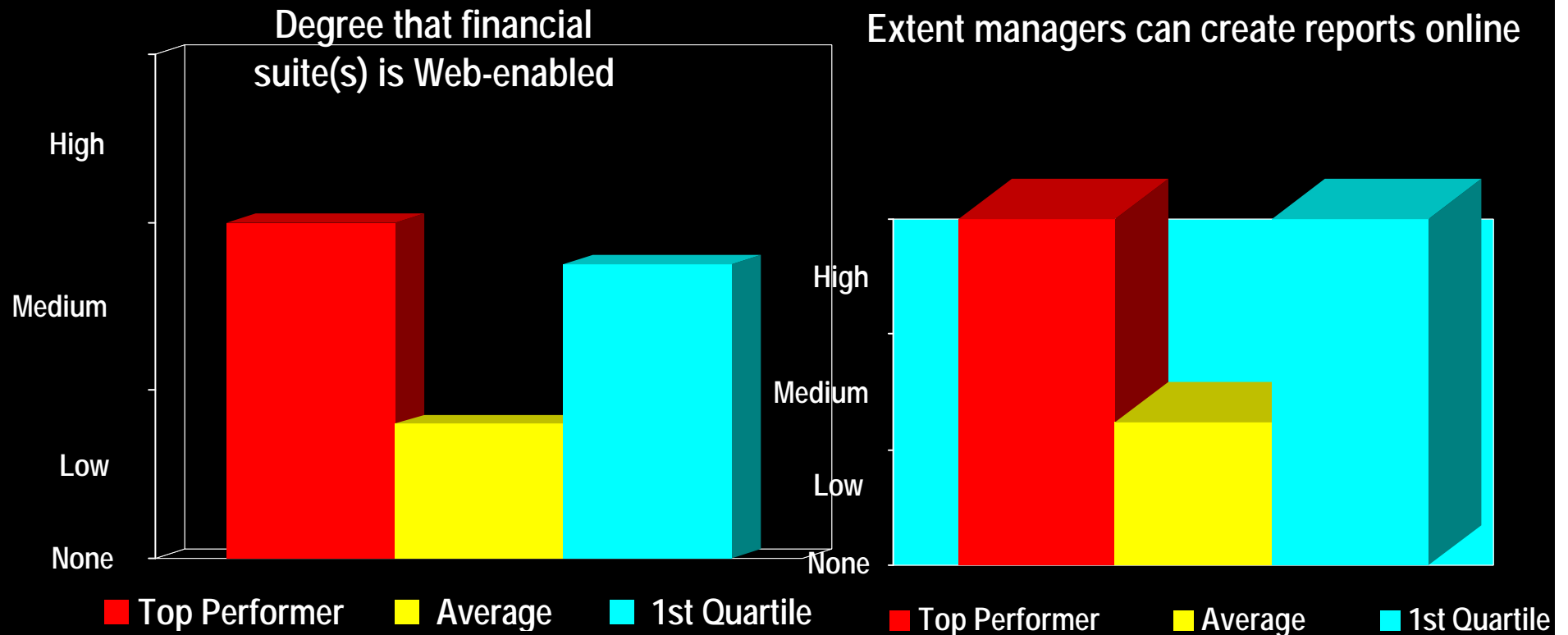
Application integration



Leveraging functionality of applications



# On-line accessibility is essential





**Does driving greater  
value increase  
finance costs?**

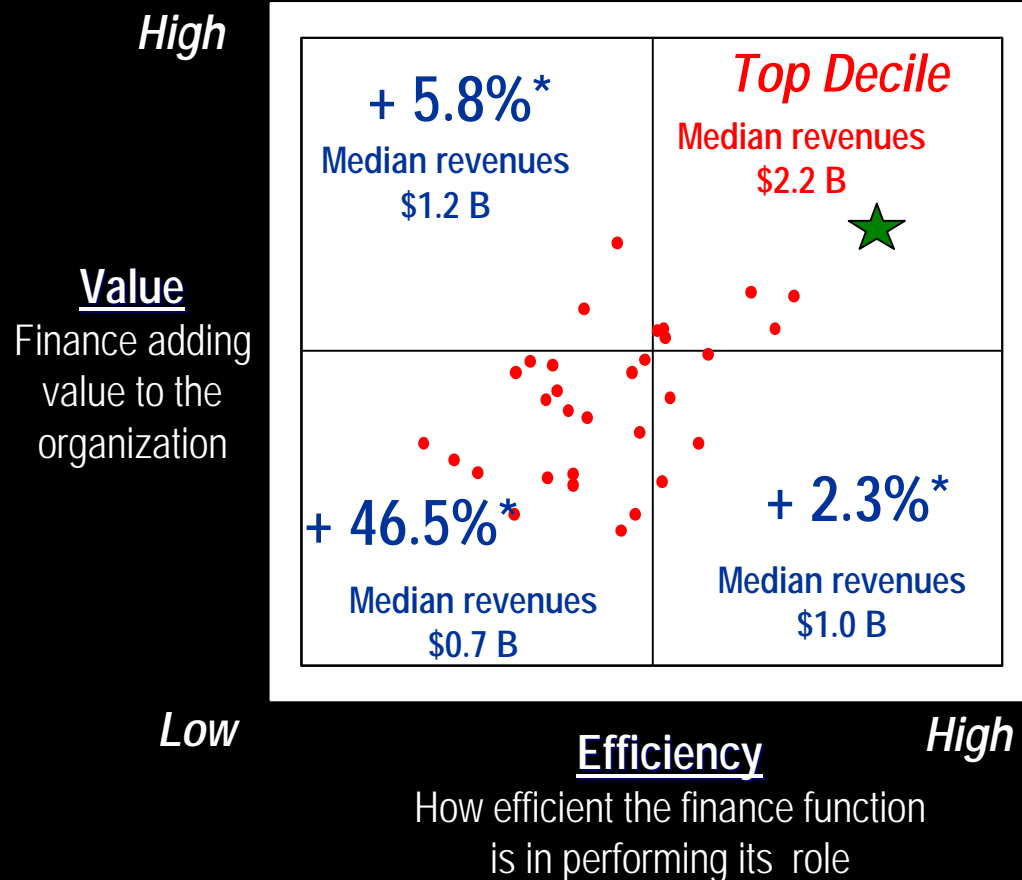


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# Top-performers drive greater value without increasing overall finance costs

## Overall Finance Dimensions



\* Cost variance over top-decile performers

## KEY FINDINGS/OBSERVATIONS

- Scale economies are being achieved by the best
- Larger companies are deriving greater value/efficiency mix
- World-class companies are adding value at a lower overall cost
- Larger companies have had the funds to invest in technology infrastructure over a longer period
- Efficiency and value are not mutually exclusive
- Highly efficient companies are actually spending more than the overall top-decile performers



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# The best follow a consistent, rapid approach to world-class performance!

## *Consolidate & Standardize*

- Organizational realignment
- Gain control of process
- Process change
- Quick hits
- Common platforms
- Service agreements
- Continuous process improvement

## *Transform & Integrate*

- Technology deployment
- eCommerce / Web-enabled
- Workflow
- Balanced scorecards
- Driver-based forecasting
- Virtualization
- Customer / supplier partnering



# Thank you!

## Any questions?

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